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# Budget 2019: What it means for you...

Presented by CHBA National & MNP LLP



# Your Hosts

Kevin Lee, CEO, Canadian  
Home Builders' Association





# Your Hosts

Peter Bangs, Partner, Taxation  
Services, MNP

- Proudly Canadian firm
- Focus on private companies
- 70+ offices
- RAC niche

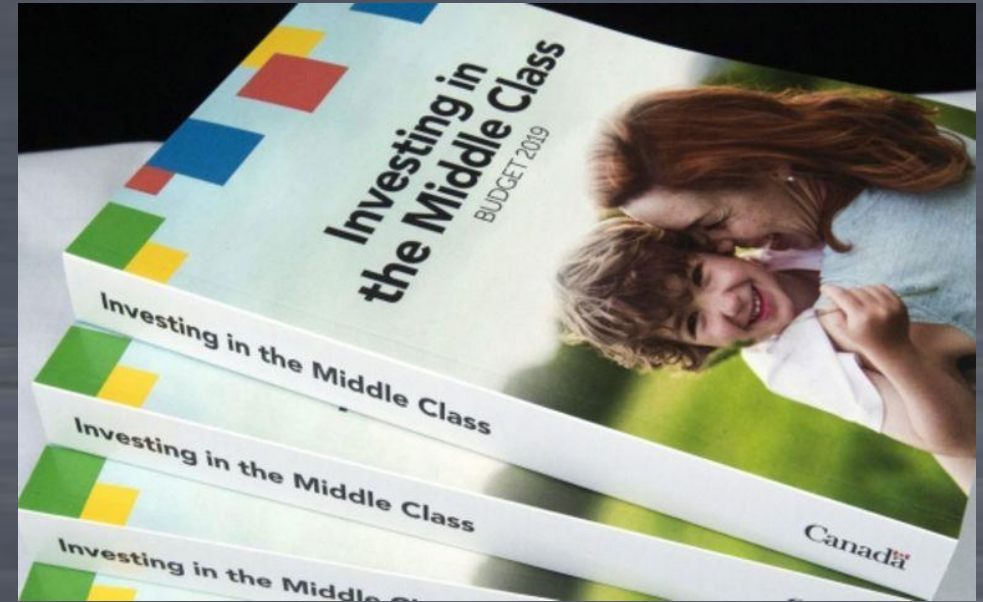




# Budget 2019

## What it means for:

- Our Industry
- Your Business (Corporate Tax)
- You (Personal Tax)





Canadian  
Home Builders'  
Association



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# BUDGET 2019 & OUR INDUSTRY



# Housing Affordability Front & Centre

## Housing Affordability and Supply

First-Time Home  
Buyer Incentive

Increased Home  
Buyers' Plan

Adjusting  
Stress Test?

Supply Modelling  
& Data Collection

Rental Construct.  
Financing

Housing Supply &  
Affordability Panel

Housing Supply Challenge

## Nat'l Housing Strategy

## Skilled Trades

Supply for  
Apprenticeship

## Energy Efficiency Retrofits

## Infrastructure

\$2.2B via Gas  
Tax Fund

Support Business  
via zero-sub. vehicles

## Tax Measures

Real Estate Tax  
Compliance

Intergenerational  
Business Transfer

## Monitoring Real Estate Purchases



# CHBA at Budget Lock-Up





CHBA published  
this release the  
day Budget 2019  
was tabled.

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## Canadian Home Builders' Association Hopeful That Announced Federal Budget Measures Will Help Ease Housing Affordability Crisis

NEWS PROVIDED BY  
**Canadian Home Builders' Association** →  
Mar 19, 2019, 20:15 ET

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OTTAWA, March 19, 2019 /CNW/ - The Canadian Home Builders' Association (CHBA) is hopeful that measures announced by the Minister of Finance in today's federal budget will help ease Canada's growing housing affordability crisis.

The budget includes a new First-Time Home Buyer Incentive, increases to the Home Buyers' Plan, expansion of the Rental Construction Financing Initiative, and measures seeking to address the housing supply shortage—all items in line with CHBA recommendations. It also makes reference to monitoring the effects of the stress test and adjusting it if economic conditions warrant, again a key concern of CHBA members.

"The new First-Time Home Buyer Incentive, which introduces shared equity mortgages for qualified first-time buyers, will make a difference if it meets the estimates government officials are suggesting: helping 100,000 Canadians achieve home ownership in the next three years. That impact would be similar to what CHBA's proposed reintroduction of 30-





# From Prime Minister Trudeau

*“Many young Canadians dream of owning their first home. With rising house prices, and not enough homes to meet demand, it is getting harder and harder to make that dream a reality. That is why the Government of Canada is taking important steps to make housing more accessible and affordable in Canada, especially for first-time homebuyers.”*



# First-Time Home Buyer Incentive

- Shared equity mortgage with CMHC
- A tool recommended by CHBA (for those in housing need) but applied now by government to FTHBs making under \$120k
- 5% for existing homes; **10% for new homes**
- Challenge: timing, \$480k mortgage ceiling
- Alternative to 30-year amortization



# Increase Home Buyers' Plan

- A CHBA recommendation
- Up from \$25k to \$35k
- Includes access for those with marital breakdown





# Monitoring the Stress Test

- Full page on stress test
- Explains analysis and how it is “working”
- “The Government will monitor the stress test and consider adjustments to support access to housing while safeguarding financial stability.”



# Rental Construction Financing Initiative

- \$10 billion over 9 years to support 42,500 rental units
- CMHC presented at CHBA's Urban Council in the fall
- CHBA to work with CMHC to align with industry approaches



# Industry Supply Challenge

- \$300M for municipalities and other groups to breakdown supply barriers







# More on Supply

- An Expert Panel on the Future of Housing Supply and Affordability (BC)
- \$5 million over two years for CMHC to work on state-of-the-art supply modelling and related data collection



# National Housing Strategy

- Legislation to maintain an NHS
- CHBA will advocate for market rate affordability (better recognized in budget) to be included in NHS



# Skilled Trades

- \$6 million over two years to create a national campaign to promote skilled trades as a first-choice career for young people.
- \$10 million/year ongoing to support Skills Canada in promoting skilled trades





# Energy Efficiency Retrofits

- Community EcoEfficiency Acceleration (\$300 million to FCM) for home energy efficiency retrofits
- Sustainable Affordable Housing Innovation (\$300 million to FCM) to support to affordable housing energy efficiency and on-site energy generation.



# Infrastructure Investments

- \$2.2 billion delivered directly to municipalities through the Gas Tax Fund in 2018-2019
- Eligible categories include roads, bridges, water and waste-water, disaster mitigation community energy systems, and brownfield redevelopment, sports and recreation



# Tax Measures

- Full tax write-offs for electric vehicles
- Intergenerational Business transfer tax amendments
- Funding to CRA to support tax evasion/avoidance and money laundering (incl. in real estate)





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# CORPORATE TAX



# Corporate Tax Changes

- No changes to corporate tax rates – good & bad news!
- No changes to capital gains inclusion rate



# 2019 Small Business Rates & Thresholds

	Rate (%)	Threshold (\$)
<b>FEDERAL</b>	<b>9</b>	<b>500,000</b>
British Columbia	11	500,000
Alberta	11	500,000
Saskatchewan	11 / 17	500,000 / 600,000
Manitoba	9	500,000
<b>ONTARIO</b>	<b>12.5</b>	<b>500,000</b>
Quebec	17	500,000
Nova Scotia	12	500,000
New Brunswick	11.5	500,000
Newfoundland	12	500,000



# 2019 General Corporate Rates

	Rate (%)
<b>FEDERAL</b>	<b>15</b>
British Columbia	27
Alberta	27
Saskatchewan	27
Manitoba	27
<b>ONTARIO</b>	<b>26.5</b>
Quebec	26.6
Nova Scotia	31
New Brunswick	29
Newfoundland	30





# Investment in Zero-Emission Vehicles

- Fall Economic Statement: Certain capital equipment acquired after Nov. 20, 2018 would get a temporary first year accelerated depreciation of rates between 45-60%
- Budget 2019 proposes temporary 100% write-off in respect of zero emission vehicles
- Includes fully electric & plug-in hybrids with a battery capacity of at least 15kWh, or fully hydrogen powered vehicles



# Investment in Zero-Emission Vehicles

Two new CCA classes created:

- Class 54 (old Class 10 and 10.1) will have a limit of \$55,000 (plus sales taxes) on the amount of CCA deductible; an ITC is recoverable on the purchase amount up to \$55,000
- No limit to the amount of CCA deductible for Class 55 (old class 16)



# Investment in Zero-Emission Vehicles

- Accelerated CCA deductions & increasing carbon and excise taxes on other forms of fuel will incentivize future purchases of zero-emission vehicles



# Scientific Research & Expenditures

- Canadian Controlled Private Corporations (CCPC) eligible for 35% refundable tax credit on eligible expenditures
- Phased out where prior year taxable income is in excess of \$500,000.  
Eliminated where prior year taxable income is in excess of \$800,000



# Scientific Research & Expenditures

- Phased out where prior year taxable capital exceeds \$10 million and eliminated where taxable capital exceeds \$50 million
- Budget 2019 eliminates the criteria based on prior year taxable income

# Scientific Research & Expenditures

- Relief from CCPC's need to "bonus down" to preserve refundability of tax credits which meant unnecessary income inclusion to owners / shareholders
- Should provide longer period of refundability for CCPCs and allow for continued investment in business

# Intergenerational Business Transfers

- Government to continue consulting with farmers, fishers, and other business owners throughout 2019
- Plans for new proposals to facilitate intergenerational business transfers while protecting the integrity and fairness of the tax system

# Real Estate Sector

- CRA to receive \$50 million over 5 years to create 4 new dedicated residential and real estate audit teams in high-risk regions, notably in BC and ON.



# Real Estate Sector

Teams to focus on:

1. Reporting of principal residence dispositions – tied in to land registry offices
2. Reporting of taxable capital gains on real estate transactions



# Real Estate Sector

Teams to focus on:

3. Ensuring profits from real estate flipping transactions are reported as business income
4. Ensuring developers are remitting appropriate GST/HST amounts



# Tax Evasion & Aggressive Tax Avoidance

- CRA to receive additional \$150.8 million over 5 years to help combat these issues by funding new initiatives while offering additional support for existing programs
- Further investment of \$65.8 million over 5 years to improve CRA's information technology systems to help



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# PERSONAL TAX



# 2019 Combined Personal Top Marginal Tax Rates

	Other Income (%)	Capital Gains (%)	Canadian Dividends (%)	
			Eligible	Non-Eligible
<b>FEDERAL</b>	<b>33</b>	16.50	24.81	26.64
British Columbia	49.8	27.90	31.44	44.64
Alberta	48	24	31.71	42.56
Saskatchewan	47.5	23.75	29.64	40.37
Manitoba	50.4	25.20	37.78	46.67
ONTARIO	53.53	26.76	39.34	47.40
Quebec	53.31	26.65	39.99	46.25
Nova Scotia	54	27	41.58	48.27



# Employee Stock Options

- Proposals to align with the U.S. tax treatment of employee stock options
- Applies a cap of \$200,000 on employee grants based on FMV of underlying shares that get beneficial tax treatment
- Cap applies to employees of large, long-established, mature firms



# Employee Stock Options

- Should not apply to start ups – stock option benefits remain unchanged
- Further details to be released before the summer of 2019 and apply on a go-forward basis
- Not intended to apply to previously granted options



# Employee Stock Options

- How to distinguish between large, long-established mature firms vs. start-up companies
- Not clear when the taxation of excess CCPC options will be taxed – on exercise or sale
- Budget 2019 suggests a corporation will get a deduction for the stock option exercise





# Canada Training Credit

- Refundable tax credit to support eligible tuition and training fees
- Eligible individuals will accumulate \$250 annually in a notional account to a maximum of \$5,000 over a lifetime
- Credit claimed will be equal to lesser of half the eligible tuition fees paid in respect of the taxation year and the notional account balance for the year

# Housing *(already covered by Kevin)*

- Home Buyers Plan
- First-Time Home Buyers Incentive

# TFSA

- Individuals have been conducting a business within their TFSA (i.e.: significant trading activity)
- Liability for the tax was on the financial institution (i.e.: the trustee)
- Budget 2019 proposes the joint and several liability for tax owing on income from carrying on a business in a TFSA be extended to the TFSA holder



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# MNP INSIGHTS





# Made-In-Canada Approach

- Canada must be viewed as a desirable country for business and innovation
- Drives economic benefits such as increased employment and spending
- React to US tax legislation while remaining unique
- Tax policy must protect Canadian entrepreneurs and small businesses



# 10-Point Action Plan – MNP Ask of Finance

1. Lower combined corporate tax rate from 27% to 20% and to reach a combined personal tax rate below 50%
2. Provide for 100% write-off of capital cost allowance on qualifying capital asset purchases to inspire capital investment ★

# 10-Point Action Plan – MNP Ask of Finance

3. Expand personal tax bracket thresholds based on a higher multiple of the bottom bracket threshold
4. Revise the taxable capital limits to account for inflation



# 10-Point Action Plan – MNP Ask of Finance

5. Allow full tuition credit transfers to parents of children in post-secondary institutions and reintroduction of the education tax credit
6. Reduce uncertainty, red tape and bureaucracy on tax compliance for entrepreneurs and small business





# 10-Point Action Plan – MNP Ask of Finance

7. Expand provisions of the Income Tax Act (ITA) to allow for families to use their Lifetime Capital Gains Exemption (LCGE) in a bona-fide succession ★
8. Allow small business rollovers for private business, similar to farm rollovers.



# 10-Point Action Plan – MNP Ask of Finance

9. Maintain the current estate tax regime ★
10. Increase the threshold for passive investments held inside small business corporations to protect entrepreneurship



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# Questions?

Visit [mnp.ca/budget](http://mnp.ca/budget)

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